



# ADVISOR

TEACHERS, EMPLOYEES, PUBLIC, STATE POLICE AND JUDICIAL



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SERVING OVER 320,000 MEMBERS

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## Historic Site Saved

By David G. Bronner



Construction has begun on the historic Supreme Court Building on Dexter Avenue in front of the State Capitol. The building has been vacant for 15 years since the courts moved across the street to its new facility.

There were virtually dozens of ideas tried and tested over the years to preserve the site and at the same time make it useful. But most every idea stumbled on how to make the small 1926 structure viable within reasonable cost objectives.

Finally, the RSA was able to come up with an equitable solution. Although it is cheaper to demolish the 50,000 square foot antique than renovate it, the cost of renovating can be absorbed throughout the entire project. The finished structure will be a \$200 million, 12-story, 500,000 square foot office building. Without the additions, it would not be feasible to save the building due to asbestos, ADA requirements, no parking, etc.

The renovations will move the entrance from the second floor to street level (similar to Surrogate's Court, formerly The Hall of Records in NYC). The south façade will be celebrated through a glass wall that will expose the building, as it always has, to Dexter Avenue. Everything will stay the same, as the new structure will be built above the old building as well as behind it.

A unique feature of the new building will be a park. Located between the building and the Alabama Bar Association building, this park will honor past members of the Supreme Court that presided in the building. Additionally, the historic Supreme Court Chamber will remain as it was, but will be used as the main amenity of the building as a first class conference center for the tenants.

## Retiree "Push Back"

By Marc Reynolds

In a recent conversation with an RSA retiree, it was stated that, "Five years ago virtually every retiree loved the RSA and Dr. Bronner, but there is growing discontent among the retired membership." The reason: Cost-of-Living Adjustments (COLAs). Retirees expect to receive a COLA with the same frequency and at the same percentage as active employees. The RSA is simply not designed nor funded to accommodate these types of benefits.

Prior to 1993, the State Legislature granted ad hoc COLAs from year-to-year and continued to fund the COLAs each year thereafter. This method of funding COLAs did not require the RSA to recognize these future costs as a liability. However, starting in 1993, the Governmental Accounting Standards Board began requiring pension funds to recognize these costs and account for them.

Even with this accounting change, the RSA remained throughout the 1990s in a position of extreme financial strength. This allowed the RSA to support retiree COLAs that were funded with excess earnings. When the market crash of 2000-2002 occurred, the RSA, along with every other financial institution, lost substantial assets.

Many state pension systems decided at that time to freeze COLAs. Those that did enact a freeze have almost recovered. Alabama, on the other hand, granted retirees 18% in COLAs from 2000-2006 at a cost of \$3.2 billion. This has caused RSA's deficit to increase despite five good years of market returns. During the same time period, employer rates have almost doubled. The RSA is now in a position where we must oppose any unfunded benefit improvements until the system is back on track towards full funding.

Retirees who applauded us for protecting the soundness of the RSA during their working career are now questioning our attempts to protect that same soundness. If retirees are to receive regular COLAs, additional funding must be provided to keep the system actuarially sound. This can only be accomplished in three ways:

- Additional employer funding, which will require a new revenue source,
- Additional member contributions, or
- A modification of existing benefits to reallocate those costs towards funding a COLA.

Many retirees have asked why the RSA does not develop and advocate such a plan. The RSA's job is to administer in a fiscally responsible manner the current systems established by statutes and to be an advocate for both active and retired members. All members can rest assured that the RSA will first and foremost protect the financial integrity of the RSA. We stand ready to work with any group or groups to address these or any other issues affecting the RSA.

# The Trail Boss

By Tom Ensey, *Golfweek*

**H**ard-charging David Bronner made his name managing billions of dollars and launching the 15-year-old Robert Trent Jones Golf Trail. But he's just as happy teeing it up and trading barbs with pals.

David Bronner, the cigar-chomping CEO of the Retirement Systems of Alabama for the past 34 years...Bronner has served under six governors and had highly publicized fights with most of them – battles memorialized in dozens of editorial cartoons he proudly displays on his office walls.

He doesn't lose.

And by the way, it's Dr.

Bronner to you – unless you're one of his 15 or so golf buddies who meet every Saturday and Sunday for a round of golf and smack-talking. To them, he's just Dave or David or other, not-so-nice names.

Bronner isn't a medical doctor. He holds a Ph.D. in Administration and Higher Ed and a law degree from the University of Alabama. But the folks in the state call him Doctor the same way they refer to the late "Bear" Bryant as "Coach Bryant."

All those years. All that money.

Bronner built the \$500 million fund from a 25-percent funded mess into one of the nation's most solvent retirement funds. RSA's holdings include a chain of newspapers, TV stations, 55 Water Street in New York City, and office buildings it funded to help reshape the skylines of Mobile and Montgomery. Bronner also has helped attract billions



more to the state in the form of national and international businesses.

But Bronner has said that his proudest achievement is Alabama's Robert Trent Jones Golf Trail. Fifteen years after the first Trail site opened, there are 11 locations and 20 regulation 18-hole courses, some with luxury hotels....

Though the state-backed golf trail was, at the time, a revolutionary idea, it's not surprising that Bronner thought golf could burnish Alabama's image. On weekends, you usually can find him and his gang of disrespectful pals batting it around Wynlakes Golf and Country Club in east Montgomery and hurling barbs machine-gun style. When the group plays a RTJ course, Bronner carries with him a bucket of sand and fastidiously fills in divots, according to his buddy Buck Newman....

*(Editor's Note: the rest of this two page article deals mainly about golf, but a side-bar on investing was included.)*

## INVESTING

### Doctor's Orders

Given his track record managing Alabama's \$31 billion retirement fund, David Bronner, aka Dr. Bronner, often is asked about his investing secrets. Here are some of his tips:

### Stay in the black.

"Yeah, yeah, yeah, I know it's boring," Bronner said, jumping out of his chair, warming to the subject, walking around his office and waving his cigar like a wand. "But I'm going to tell you what everybody else tells you. Pay down your debt." Don't let interest payments on loans or consumer credit consume too much of your cash flow, or you're going to be just another working stiff living from check to check. Job one: Accumulate savings before you get serious about using your money to make money. Stay liquid.

### Invest in something you know about.

"Whatever business you're in, for example, invest in that. You should know your own business," Bronner said.

### Beware the stock market. Most people have jobs and don't have time to follow the market closely.

"Well, somewhere out there, there's a guy working at least that hard studying the stock market, and that guy's got better resources than you do. If you try to outplay the market with that guy, he'll kill you every time."

### Recognize luck and don't trust it.

You could get lucky and make some quick money in the stock market. "That can be the worst thing that can happen," Bronner said. "You can have a lot of fun in Las Vegas if you get lucky. Say you take \$1,000 to Vegas, you hit early. The first thing to do is take your thousand, put it in your pocket and don't take it back out. After that, win or lose, at worst you go home with what you came with."

## TRS Board Election

## Runoff Election to Decide Retiree Position No. 2

**A** runoff election will be held for the Retiree Position No. 2 between the incumbent, Mrs. Sallie B. Cook and Dr. Sandra Sims-deGraffenried. Voting for this election will begin January 7, 2008, and continue through February 11, 2008.

# Military Credit

**A** new member of the TRS or ERS has one year from the date of employment as a contributing member to purchase up to four years of eligible military service under the statutes governing the Retirement Systems provided the member has had no previous eligibility. Eligible service includes honorable service in the Armed Forces of the United States for which the member is not currently receiving service retirement benefits from any branch of the U.S. Armed Forces or any publicly funded retirement plan, other than disability benefits, provided that the disability benefits are not based upon years of creditable service and rank.

Week-end service and summer camp service with the National Guard or the Reserves are not eligible for creditable service.

The cost for purchasing military service is 4 percent of the average salary paid a teacher (for a TRS member) or state employee (for an ERS member) in the State of Alabama during each year of claimed service plus 8 percent interest compounded from the last date of military service to the date of payment.

Active members who failed to purchase their military service during their first year of membership may purchase such service under the provisions of Act 98-385 once they have ten years of creditable service. The member must pay the full actuarially determined cost for each year of service purchased.

Act 2002-430 provides that a participating RSA member is deemed an active and contributing member of the retirement systems if required to serve on active military duty. Nothing in Act 2002-430 alters a returning service member's right to establish retirement credit in the retirement systems upon his or her return to work. Federal law provides generous time periods for the payment of missed contributions without interest. For more information, please contact the ERS or TRS.

An estimate of the cost to purchase military service can be obtained by writing the Retirement System, at P.O. Box 302150, Montgomery, Alabama 36130. A member must submit a copy of his/her Form DD 214 or other documentation of military service showing dates of entry into and separation from military service. To expedite the request, please indicate whether you are a member of the Teachers' Retirement System or the Employees' Retirement System and include your Social Security number.

# Ships & Air Pollution

By Bruce Stanley, *The Wall Street Journal*

**A**s air pollution rises on the global political agenda, pressure is mounting on a largely hidden and proliferating source of dangerous emissions; the shipping industry.

The corpuscles of the global economy, ships carry more than 90% of the world's merchandise by volume, and the tonnage of cargo sent by ships has tripled since 1970. Yet the fuel propelling them is cheap and dirty and produces an especially noxious exhaust.

**Ships release more sulfur dioxide, a sooty pollutant associated with acid rain, than all of the world's cars, trucks and buses combined,** according to a March study by the International Council on Clean Transportation. That study also found that ships produced an estimated 27% of the world's smog causing nitrogen-oxide emissions in 2005. Only six countries in the world emitted more greenhouse gases which trap heat in the atmosphere, warming the globe — than was produced collectively in 2001 by all ships larger than 100 tons, according to the study and United Nations statistics.

...A U.N. study concluded that a 10% reduction in sailing speeds could cut ships' carbon-dioxide output by 23%. But slower speeds would likely prompt shipping lines to deploy more ships to satisfy their customers. 'By adding vessels, you'd burn more fuel and generate more pollution, and the benefit of going slower might be canceled out,' says Stanley Shen, a spokesman for Orient Overseas (International), LTD....

One big culprit is the industry's favorite fuel. Most ships rely on residual fuel oil, known also as bunker fuel, to power their huge engines. Bunker fuel is a tar-like sludge left over from the refining of petroleum. It often contains toxic heavy metals such as lead and vanadium and is collected from the bottoms of the distillation towers in which refineries process crude. Raw, unheated bunker fuel has the composition and consistency of asphalt. 'You can walk on it,' says Claus Jensen, the fleet manager at Torm, a shipping company based in Copenhagen.

It also is cheap. A recent spot price for intermediate-grade bunker fuel traded in Singapore averaged \$505.50 a metric ton, less than two-thirds the rate of marine gas oil, a distillate similar to what diesel trucks use.

'Ship owners have had a very cheap fuel that's packed with energy, and the refiners have had an outlet for their waste product,' says Ian Adams, secretary-general of the International Bunker Industry Association, a group of firms that supply and trade bunker fuel. 'Ship owners and refiners have had a perfect relationship.'

...At current rates of growth, ocean-going ships will generate 53% of the particulates, 46% of the nitrogen oxides and more than 94% of the sulfur oxides emitted by all forms of transportation in the U.S. by 2030, the Environmental Protection Agency estimates. That compares with levels for the same pollutants in 2001 of 17%, 12% and 49%, respectively, according to the EPA...."

## The 2008 Zagat Guide Book

**T**he Marriott Grand Hotel in Point Clear was the only Alabama hotel to make the prestigious Zagat guide book "2008 Top U.S. Hotels, Resorts & Spas."

However, several golf courses owned by the **Retirement Systems of Alabama** made Zagat's America's Top Golf Courses survey.

The Ross Bridge golf course at the Renaissance Ross Bridge Resort in Hoover ranked No. 2 among new courses, while the course in Florence also placed in the Top 50. Eight courses on the Robert Trent Jones Golf Trail were listed under Best Value Courses.



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- Mar. 2–3, 9–10, 12, 16, 23–25, 30–31

**Marriott Shoals – Florence – \$69**

- Jan. 4–7, 10–13, 22–24, 27–30
- Feb. 3–5, 10–12, 17–20
- Mar. 6, 9–10, 16–17, 21–22

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- Jan. 1–6 • Feb. 4, 5, 10, 13, 17, 18 • Mar. 1–4

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- Jan. 1–4, 12–14, 21, 26–31
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- Jan. 1–7, 13–16, 19–22, 30–31
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If you are a true golf nut, the RTJ Annual Pass is the perfect deal for you. For just \$1,360, you can play unlimited golf year-round at all the RTJ courses (excluding Lakewood & Ross Bridge).

The 2008 Trail Card is perfect for those who play several times a month. By saving from \$10 to \$45 every time you play (savings vary by location), the Trail Card more than pays for itself. It is our way of saying thank you to Alabama residents who have supported The Trail. You can also receive 15% off the retail price of RTJ Golf Trail merchandise, discounted range balls, plus a 10% discount off personal golf instruction from any RTJ golf professional.

With a 2008 Trail Card, you can play for these low rates for greens fees and cart:

- **\$34.95** weekdays and **\$39.95** weekends and holidays at Cambrian Ridge, Hampton Cove, Highland Oaks, Magnolia Grove, Silver Lakes and The Shoals
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